

## Message Text

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44

ACTION SS-14

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 9120

C O N F I D E N T I A L LISBON 7670

LIMDIS

FOR S,D,E,P,C,EB,EUR,S/P,TREASURY,NSC,FRB ONLY.

E.O. 11652: GDS

TAGS: EFIN, PO

SUBJ: SITUATION REPORT: NOV. 8

REF: STATE 266724

1. EUROPEAN INVESTMENT BANK: THE EUROPEAN INVESTMENT BANK (EIB) WILL FINANCE PILOT MIXED-CROP FARMING PROJECTS IN THE ALENTEJO PROVINCES AND AN AGRICULTURAL EXTENSION SERVICE TO SUPPORT THEM, ACCORDING TO NOV. 4 STATEMENTS TO THE PRESS BY EIB REPRESENTATIVES YVES LE PORTZ AND DIETER HARWICH. FUNDS FOR THESE PROJECTS WILL BE DRAWN FROM THE UNUSED PORTION OF THE 150 MILLION UA ASSISTANCE CONCEDED TO PORTUGAL BY EIB IN 1975. MEANWHILE, THE RED-CARPET GOP AND MEDIA TREATMENT OF THE EIB MISSION TO PORTUGAL CONTINUES. DELEGATION WAS SCHEDULED TO MEET WITH PRESIDENT EANES NOV. 5.

2. EC DELEGATION IN LISBON: A THREE-MAN DELEGATION FROM THE EC SOCIAL AND ECONOMIC COMMISSION ARRIVED IN LISBON NOV. 5. THE DELEGATION IS TO ELABORATE A STUDY ON THE PORTUGUESE ECONOMY AND ITS PROSPECTS IN LIGHT OF THE GOP REQUEST FOR ADMISSION TO THE EC. A HEAVY SCHEDULE OF MEETINGS WITH GOVERNMENT, INDUSTRIAL, AGRICULTURAL, AND LABOR LEADERS HAS BEEN ARRANGED. THE FINAL STUDY WILL BE PRE-CONFIDENTIAL

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SENTED FOR CONSIDERATION TO THE EC'S COUNCIL OF MINISTERS.

3. SOARES ON EC: REITERATING THE POINT THAT PORTUGAL'S DECISION TO SEEK INTEGRATION INTO THE EC IS AT THE SAME TIME A CHOICE FOR A DISTINCT POLITICAL AND ECONOMIC ORIENTATION, PRIME MINISTER SOARES DECLARED DURING A NOV. 4 DINNER IN HONOR OF THE EIB: "PORTUGAL HAS UNMISTAKABLY DEMONSTRATED THAT THE FUNDAMENTAL OPTIONS CHOSEN BY THE NATIONS OF THE COMMUNITY - JOINT DEVELOPMENT, SOLIDARITY AMONG PEOPLES, AND THE REPUDIATION OF THE TEMPTATION OF ECONOMIC EGOTISM AND ISOLATIONISM - ARE ALSO THE OPTIONS CHOSEN BY PORTUGUESE DEMOCRACY."

4. EFTA: PRINCIPAL THEMES FOR THE FORTHCOMING NOV. 11 AND 12 EFTA MEETINGS IN LISBON WILL BE THE MECHANISM FOR DRAWING DOWN THE 100 MILLION DOLLAR EFTA ECONOMIC ASSISTANCE FUND TO PORTUGAL AND THE EVALUATION OF GOP PROPOSALS FOR THE UTILIZATION OF THIS FUND. PORTUGAL WILL CHAIR THE MEETINGS.

5. FINANCING PUSH FOR SINES: NOV. 5 "EXPRESSO" REPORTS THAT ALTHOUGH GOP IS REEVALUATING SOME SINES INDUSTRIAL PROJECTS (SUCH AS IRON PYRITES, FERTILIZER, CHLORIDE, AND STEEL) IT IS MOVING AHEAD FAST ON OVERALL PROJECTS. IT HAS ASSURED 3.3 BILLION ESCUDOS (\$105 MILLION) IN INTERNAL FINANCING FOR 1976/77. THIS AMOUNT REPORTEDLY INCLUDES:

- 1.1 BILLION ESCUDOS (\$35 MILLION) FOR HOUSING;
- 500 MILLION ESCUDOS (\$16 MILLION) FROM CAIXA GERAL DE DEPOSITOS FOR WATER AND SEWERS; AN EQUAL AMOUNT FOR INFRASTRUCTURES FROM BANCO DE FOMENTO NACIONAL; AND
- 1.2 BILLION ESCUDOS (\$38 MILLION) FROM CONSORTIUM OF EIGHT NATIONALIZED BANKS, AT 9.25 PERCENT FOR SIX MONTHS, OR 11.25 PERCENT IF LOAN IS EXTENDED TO 18 MONTHS, FOR 1976 CAPITAL EXPENDITURES. IN ADDITION, SINES DIRECTOR FERRO GOMES REPORTEDLY WILL SOON GO TO ROME TO NEGOTIATE A 2 BILLION ESCUDOS (\$64 MILLION) CREDIT FROM ITALIAN BANKS.

6. TRADE DROPS SLIGHTLY: COMPARISON OF DATA FOR FIRST EIGHT MONTHS OF 1975 AND 1976 INDICATES THAT PORTUGAL'S IMPORTS AND EXPORTS HAVE FALLEN SLIGHTLY. BELOW ARE CONFIDENTIAL

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TRADE DATA FOR FIRST EIGHT MONTHS OF BOTH YEARS (IN MILLIONS OF DOLLARS AT U.S. \$1 EQUALS 25.553 ESCUDOS FOR 1975 AND U.S. \$1 EQUALS 30 ESCUDOS FOR 1976.):

|            | 1975         | 1976         |
|------------|--------------|--------------|
|            | (JAN-AUGUST) | (JAN-AUGUST) |
| A. EXPORTS | 1,298        | 1,169        |
| B. IMPORTS | 2,632        | 2,408        |

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